

Message Text

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ACTION SS-30

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E.O. 11652: GDS

TAGS: PINT, US, JA

SUBJECT: BAUXITE NEGOTIATIONS SITREP #15

1. FIRST NEGOTIATING SESSION ON MONDAY, MARCH 18 GOT UNDERWAY AT 11:30 AM IN A TENSE ATMOSPHERE. LESLIE ASHENHEIM, ATTORNEY FOR KAISER, LED OFF WITH A PRESENTATION FOCUSED ON GOVERNMENT'S PROPOSALS TO REAPPORTION RESERVES EVERY FIVE YEARS, AND TO ALTER ROYALTIES, SURCHARGES, TAXES, ETC. MORE FREQUENTLY IF NECESSARY. ASHENHEIM'S PRESENTATION INDICATED THAT, GIVEN THE HEAVY INVESTMENT IN PLANT AND EQUIPMENT, HIGH COSTS, AND LARGE DEBT BURDEN OF THE INDUSTRY SUCH ARRANGEMENTS WERE TOTALLY UNACCEPTABLE AND WOULD NOT PROVIDE ADEQUATE SECURITY TO ENABLE THE INDUSTRY TO FINANCE EXISTING DEBT MUCH LESS FIND THE BACKING FOR ADDITIONAL MINING AND REFINING CAPACITY THE GOVERNMENT WISHED. IN ADDITION TO HIS ECONOMIC ARGUMENTS HE POINTED OUT THAT EXISTING CONTRACTS HAD A LONG TIME TO RUN, WERE CONTRACTED IN GOOD FAITH, AND THAT THEIR VIOLATION WOULD BE A MAJOR BREACH OF JAMAICAN LAW. THEREAFTER DEREK STONE, ATTORNEY FOR REYNOLDS, PICKED UP THE SAME THEME AND MADE AN EVEN LONGER AND MORE BITING EXPOSITION OF BOTH ECONOMIC AND LEGAL ARGUMENTS AGAINST THE GOVERNMENT'S PROPOSALS ON GROUNDS THAT THEY WOULD DESTROY ANY SECURITY OF TENURE THE INDUSTRY MIGHT HAVE.

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2. A FEW SOTTO VOCE ASIDES NOTWITHSTANDING, GOVERNMENT NEGOTIATORS SAT STILL FOR THE ABOVE PRESENTATIONS. CHAIRMAN ROUSSEAU THEN ASKED IF OTHER COMPANIES SUBSCRIBED TO THE VIEWS EXPRESSED BY ASHENHEIM AND STONE. EACH ACKNOWLEDGED THAT IT DID. CHAPMAN ROSE, ATTORNEY RETAINED BY THE INDUSTRY AS A WHOLE FOR ANTI-TRUST MATTERS, THEN MADE A MASTERFUL PRESENTATION SUMMING UP INDUSTRY'S VIEWS IN A DISPASSIONATE FASHION. HE POINTED OUT THAT THE THREE PRESENTATIONS INCLUDING HIS OWN VARIED MARKEDLY AND NOT ALWASY HAPPILY IN TONE BUT THAT ALL THE COMPANIES DID AGREE IN SUBSTANCE THAT THE GOVERNMENT'S PROPOSALS DID NOT PROVIDE ADEQUATE SECURITY FOR THE FUTURE OPERATION AND EXPANSION OF THE INDUSTRY

3. THE REMAINDER OF THE MORNING AND THE ENTIRE AFTER-NOON SESSION WERE DEVOTED TO STRAIGHTFORWARD COMPANY-BY-COMPANY PRESENTATIONS OF THEIR CURRENT ECONOMIC AND FISCAL SITUATIONS IN FULL BUT RATHER GENERAL TERMS. EACH COMPANY MADE ITS PRESENTATIONS WITH OTHER COMPANY REPS PRESENT. AT THE END OF AFTERNOON SESSION IT WAS AGREED THAT COMPANIES, INCLUDING CHIEF EXECUTIVE OFFICERS ALL OF WHOM HAVE NOW RETURNED TO THE U.S., WOULD SEEK TO PUT TOGETHER A TOTAL PACKAGE FOCUSED UPON BUT NOT LIMITED TO REVENUE MATTERS. THIS PACKAGED WOULD CONSTITUTE IN EFFECT, THOUGH PERHAPS NOT IN FORM, A COUNTER-PROPOSAL TO THAT RECEIVED FROM THE GOVERNMENT ON MARCH 15. THE COMPANIES WERE GIVEN NINE DAYS TO DEVELOP THIS PACKAGE AND ARE SCHEDULED TO PRESENT IT IN PLENARY SESSION ON WEDNESDAY, MARCH 26. IN THE MEANTIME, COLLECTIVE MEETINGS ARE TO BE SUSPENDED AND THE GOVERNMENT WILL PROCEED TO DISCUSS ECONOMIC AND FISCAL MATTERS IN GREATER DETAIL WITH EACH COMPANY INDIVIDUALLY BEGINNING WITH ALCOA TODAY AS PREVIOUSLY SCHEDULED. THIS PROCEDURE MET WITH THE INDUSTRY'S APPROVAL SINCE THERE ARE FINANCIAL ASPECTS THEY WOULD PREFER NOT TO DISCUSS IN PLENARY SESSION.

4. AFTER INITIAL PHASES, MOOD OF YESTERDAY'S MEETING WAS INCREASINGLY WORKMANLIKE AND CORDIAL. GOVERNMENT NEGOTIATORS LISTENED ATTENTIVELY TO COMPANY PRESENTATIONS AND ASKED SOME QUESTIONS WHICH SEEMED GENUINELY DESIGNED

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TO ELICIT FURTHER INFORMATION AND UNDERSTANDING RATHER THAN SERVE AS DEBATING POINTS. THEY IN TURN PROVIDED A LITTLE INFORMATION ABOUT GOJ'S ECONOMIC AND FISCAL POSITION AND PROBLEMS BUT WERE INCREASINGLY RELUCTANT TO PURSUE THIS LINE. RELUCTANCE OF GOVERNMENT TO PROVIDE FULL INFORMATION ABOUT ITS OWN SITUATION SEEMED TO FLOW PARTLY FROM NOTIONS OF SOVEREIGNTY, AND PARTLY FROM THS CONVICTION THAT GOVERNMENT REVENUES FROM BAUXITE/

ALUMINA SHOULD BE DETERMINED NOT BY THE GOVERNMENT'S NEEDS, BUT BY THE REAL ECONOMIC VALUE OF THE RAW MATERIAL AS A PROPORTION OF THE WORLD MARKET PRICE OF ALUMINUM.

5. PATRICK ROUSSEAU MADE A STATEMENT TO THE PRESS ON MONDAY WHICH WAS PUBLISHED TODAY STATING THAT NEGOTIATIONS HAVE GOTTEN UNDER WAY AND THAT THEY WOULD BE CONFINED TO REVENUE ISSUES. HIS STATEMENT WAS NOT SHOWN TO THE INDUSTRY PRIOR TO RELEASE DE PITE PM'S COMMITMENT, BUT THE INDUSTRY DOES NOT FEEL THAT ROUSSEAU ACTED IN BAD FAITH BECAUSE OF THE VERY GENERAL NATURE OF HIS STATEMENT. INDUSTRY INTENDS TO ADHERE TO ITS COMMITMENT TO PRESENT ANY PUBLIC STATEMENTS IT MAY WISH TO MAKE TO THE GOVERNMENT PRIOR TO RELEASE. IN THIS CONNECTION NATHANIEL DAVIS(ALCAN) AND OTHERS WHO FELT THEY HAD DISCLOSURE PROBLEMS ARE BEING URGED BY OTHER INDUSTRY REPS TO CONFINE ANY DISCLOSURE THEY FEEL THEY MUST MAKE TO FACT THAT NEGOTIATIONS HAD BEEN REQUESTED BY JAMAICAN GOVERNMENT AND ARE UNDER WAY. INDUSTRY IS HOPEFUL THAT, GIVEN FACT THAT NEGOTIATIONS HAVE NOW BEGUN AND ARE PROCEEDING IN A MORE OR LESS ORDERLY FASHION, DAVIS WILL SEE HIS WAY CLEAR TO CONFINING HIMSELF TO GENERALITIES.

6. ROUSSEAU'S STATEMENT THAT NEGOTIATIONS WILL BE CONFINED TO REVENUE MATTERS COMES AS A SURPRISE GIVEN THE THRUST OF THE GOVERNMENT'S POSITION PAPER AND ITS CLEAR INTENTION OF DEALING WITH ISSUES RELATING TO LANDS, RESERVES, AND PARTICIPATION. IT IS POSSIBLE THAT HE WAS REFERRING ONLY TO THE CURRENT ROUND OF NEGOTIATIONS WITH THE UNSPOKEN INTENTION OF TAKING UP OTHER ISSUES AFTER REVENUE QUESTIONS HAVE BEEN SETTLED. IT IS ALSO JUST POSSIBLE THAT HE MAY HAVE BEEN TRYING TO MAKE THE SECRET

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DISCLOSURE PROBLEM EASIER FOR DAVIS AND OTHER WITH SIMILAR DIFFICULTIES. HEWITT

NOTE BY OC/T: NOT PASSED OPIC.

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